



Enhancement of Employee Competency to Achieve Organizational Effectiveness: A study

Dr. Kshiroda Kumar Sahoo*

Designation: Deputy Registrar

Qualification: Ph.D

College/University: National Institute of Technology Raipur

Address: NIT Raipur, Raipur Chhattisgarh, Pin 492010

Email ID: kshirodouat@gmail.com

Phone: 9861210238

Orchid ID: 0000-0002-5993-5498

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ABSTRACT

Purpose – An attempt has been made through this research to examine the impact of HRD interventions (HRDI) to enhance the competency level of the employees of PSU banks and achieve organizational effectiveness.

Design/methodology/approach –The validity of the proposed model has been examined using the structural equation modeling (SEM) method. 559 respondents working for PSU banks in Odisha and West Bengal were surveyed using structured questionnaires to collect data. Confirmatory factor analysis (CFA) is used to establish the validity and reliability of each dimension, and SEM is used to evaluate the hypothesis.

Findings – According to the findings, HRD initiatives significantly affect staff competence, which boosts organizational effectiveness. Additionally, this research helps decision-makers create efficient HRD interventions in organizations to boost employee skills.

Research limitations/implications – The study has been conducted for a specific bank and is limited to a particular geographical area. Hence, the result may not be treated universally across the banking industry.

Practical implications – The finding will definitely be helpful in making appropriate HRD interventions for enhancing employee competency.

Originality/value – In the study, it precisely measures how bank employees perceive themselves and on parameters like Business Strategy (BS), Union Management interaction (UM), HRD interventions {HRD Policies (HRDP), HRD Facilitators (HRDF), and HRD Measures (HRDM)}, Competent Employees (CE) and Organizational Effectiveness (OE) and lastly, to create logical connections between these variables.

Key Words: Business Strategy; HRD Interventions; Union Management interaction; Competent Employee; Organizational Effectiveness; PSU Banks.

Introduction

The nationalized banks generally follow similar HRD interventions, which are mainly regulated by the government of India either directly or through agencies like the RBI, IBA, IBPS, etc. Nationalized banks are facing numerous policy issues in the human resources area and have employee motivational constraints as compared to other peer banks. The best available talents generally prefer banks with high net worth, and as a result, the performance of this bank is also a concern. Additionally, skilled and experienced employees have been separated by way of superannuation and resignation, putting organizational effectiveness at risk. Therefore, it has become crucial for banks to analyze the factors that impact HRD interventions and develop effective strategies in that direction to achieve employee competency and organizational effectiveness.

The research questions that are formulated to carry out the research in the proper direction are:

- Whether the organization is placing emphasis on strategic integration between business strategy and HRD strategy ?
- Do the trade unions (both officers and award staff) act as facilitators for better HRD initiatives?
- Whether HRD interventions will make employees more competent ?
- Can the role of competent employees be identified through cognitive HRD interventions and desired organizational effectiveness?
- Is there any significant indicator of organizational effectiveness?

The study's primary objective is to ascertain how HRD interventions affect the competency level of bank employees' and the achievement of organizational effectiveness.

Literature review and hypotheses

Business Strategy

Effective implementation of the strategies at the field level requires proper, updated, and timely application of the methodology to run the business successfully in a competitive market (Mention & Bontis, 2013). Formulation and application of employee improvement plans, which are crucial for boosting company performance (Salman et al., 2020b).

H₁: Integration of business strategy with HRD interventions will create an environment for the prosperity of the organization.

Union Management Relation

Industrial relations are now directly relevant to competitiveness, and how they are managed has an impact on organizational effectiveness (Akhaukwa et al., 2013). Higher productivity and better customer service are benefits of cooperative labor-management relations (Deery & Iverson, 2005). The effectiveness of union-management relations depends on several important factors, such as favorable attitudes and behaviors of management towards the union and the employees, the collective bargaining process, management's cooperation to openly exchange information with the union and facilitate union activities (Akhaukwa et al., 2013), trust (Ostrowsky, 2005), union / employee participation in suggestion / decision-making (Sahu & Sundaray, 2011), commitment, policies, and legislative changes (Yarrington et al., 2007), and organizational culture.

The discussions in the aforementioned section provide enough information about the union-management interaction elements impacting bank employees in India to support the following theory:

H₂: Union-management interaction has a positive impact on the implementation of need-based HRD interventions.

Human resource development interventions

An individual's moral character plays a significant role in HRD interventions aiming at changing ethical behavior and culture (Ardichvili, 2012). Interventions that spur managers' interest in developing their skills ultimately have a positive effect on innovation. (E. Ellinger & D. Ellinger, 2013) proposed several HRD interventions, including managerial coaching, executive coaching, organizational development, team leadership, and the implementation of strategic initiatives, all of which are crucial for the dissemination of managerial talent within organizations and the growth of employee skills (Tracz-Krupa & Tomé, 2019). The study revealed that a positive and significant impact of employee competencies on various dimensions will lead to organizational performance in the Indian banking industry (Salman et al., 2020a).

HRD Policies

The fundamental values that drive HR policy (working methods and decision-making) at Procter & Gamble Company are integrity, trust, and respect for others. These help to develop the factors that contribute to building the 'success drivers' (competent workforce) of the company, and those include the recruitment process, internal communication, acknowledging contributions (recognition), employee development, employee benefits, and remuneration.

Competence, motivation, and career development simultaneously had a significant effect on performance (Nuriman, 2021). It is recommended that "in order to improve the overall performance of the employees and organizations, the development of a strong organizational culture is needed" (Pathiranage, 2019).

HRD Facilitators

Organizational citizenship behaviour (OCB) and performance were positively and significantly impacted by perceived organizational support and competence, just as OCB was positively and significantly impacted by employee performance (Ridwan et al., 2020). According to research, job training, competency, and work discipline all significantly and positively affect employee performance (Esthi & Savhira, 2019).

In the research, (Katou, 2009) looked into the relationships between HRD policies and organizational performance in the Greek setting. The findings showed that corporate strategy, organizational context, and

other factors influence how HRM policies affect organizational performance through the HRD outputs of skills, attitudes, and behaviour.

HRD Measures

It was established that employees are the most important asset of an organization and HRD measures can bring satisfaction among employees (Mittal et al., 2016). With skills, effort, and the nature of the work environment, organisational commitment—which comprises a strong belief in and acceptance of the organization's values and goals—is improving (Hendri, 2019). The improved performance of employees is a result of human resources' enhanced flexibility. As a result, many businesses today can survive if they employ flexible human resource strategies to adapt to environmental changes and customer needs (Sabuhari et al., 2020). Banks are now improving the design of their financial, technological, and human resources (HRD) systems. While posing no credit risk, the improved OCTAPACE culture enhanced the bank's financial performance (Mahapatra & Kumar, 2017).

The discussions in the aforementioned section give enough details regarding HRD initiatives for bank employees in India to support the following assertion:

H₃: Emphasis on HRD interventions will enhance the competency level of the employees.

H_{3a}: Clearly defined HRD policies have a positive relationship with employee competencies.

H_{3b}: HRD facilitators have a significant relationship with the competency level of employees.

H_{3c}: HRD initiatives significantly influence the improvement of employees' competency levels.

Competent employees

The significant attributes of the core job dimensions of a competent employee are planned activities with respect to the job significance, which are the average of variety, identity and autonomy, work satisfaction and cultural fit (Birnbaum & Wong, 1985). The services the employees offer prove their competency and are the best assets of the organization (Lewis, 1989). Banking is a highly HR intensive sector where the quality of services delivered is seriously affected by the perceptions, attitudes, and competencies of the employees. Employee satisfaction increases and results in customer satisfaction, customer retention and an increase in business and profit (Allred & Lon Addams, 2000).

It has been demonstrated that employee competence influences employee performance indirectly through motivation. Employee motivation alone is not the best way to apply good employee competencies, according to Parashakti et al. (2020). The human resources supporting the information technology must have the necessary skills to develop a work environment that can foster both employee and organizational performance (Heslina & Syahrani, 2021).

Organizational effectiveness

It is derived that HRD practices play a significant role and do affect organizational effectiveness. Employees' objectives, personalities, self-perceptions, and knowledge are used to measure performance, which includes plans, actions, and outcomes. Similar to this, the potential for entrepreneurial behavior—setting goals and accepting responsibility for the outcomes by taking calculated risks—is demonstrated by a drive for accomplishment and a strong desire to perform better than the applicable standard measures and to attain maximal results. 2020 (Tarigan & Setiawan). The three HRD characteristics of training, career development, and performance management were taken into consideration for the study since they are crucial to the efficiency of the organization (Reddy & Ambatipudi, 2021). Employee competence is significantly affected by HRD initiatives, which increase organizational effectiveness (Singh & Thapliyal, 2021).

The following hypotheses are proposed in the context of enhancement of employee competencies at the bank:

H₄: Organizational effectiveness is an outcome of the emphasis on the continuous development of employee's competencies.

H_{4a}: Competent employees are the drivers of higher productivity.

H_{4b}: Customers can be satisfied through the extension of better service by active and competent employees.

H_{4c}: Competent employees are highly committed towards the attainment of the organizational goal.

H_{4d}: Higher profit can be achieved through the involvement and active engagement of competent human resources.

H₅: HRDI and organizational effectiveness are significantly correlated.

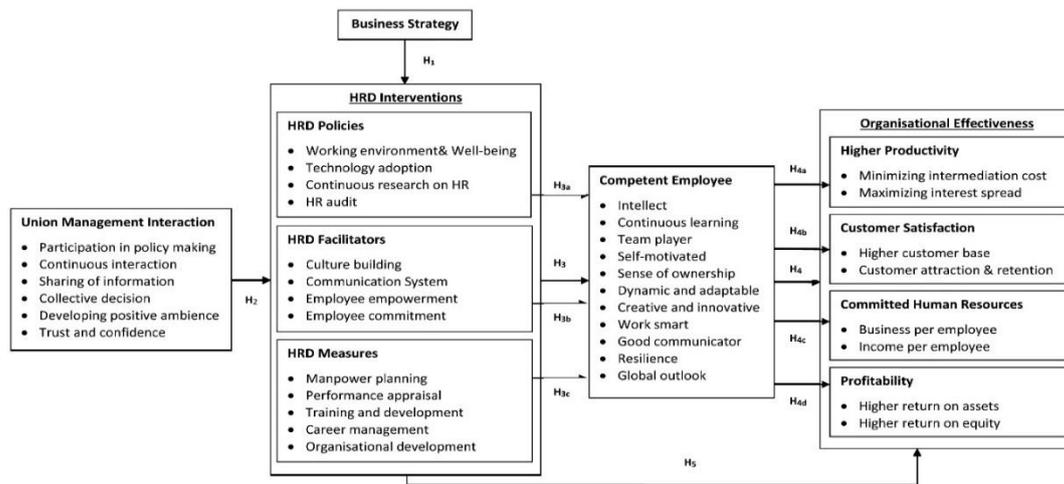


Figure 1: Hypothesized Research Model

The number of individuals randomly selected from a population for a study is known as the sample size. In social science research, it is essential to examine the statistical strength and accuracy of the findings. The formula given below, which was cited by (Malhotra & Birks, 2012), was used to calculate the sample size for this research.

$$N = \frac{Z^2 * P(1 - P)}{E^2} \dots (1) \text{ (Determination of sample size for infinite population)}$$

$$N = \frac{N}{\left(1 + \frac{(N - 1)}{\text{Population}}\right)} \dots (2) \text{ (Determination of sample size for finite population)}$$

N is the number of samples for an infinite or finite population, and Z is the confidence level at 95%. P is the trend's estimated prevalence in the population, and E is the trend's 4% error margin. The Z value for the traditional normal distribution table for this study is 1.96, which equates to the 95% confidence interval. P stands for the expected employee competency prevalence of 60% among those employed in the Indian banking industry. The margin of error for the study is predicted to be +/- 5%. In order to calculate the value of N (the infinite population), the current study made the following assumptions: Z = 1.96, P = .06, and E = +/- .04.

$$N(\text{Infinite Population}) = \frac{(1.96)^2 * 0.6(0.4)}{(0.04)^2} = \frac{3.8416 * 0.24}{0.0016} = \frac{0.9219}{0.0016} = 576.24$$

$$N(\text{Finite Population}) = \frac{576.24}{1 + \frac{(576.24 - 1)}{10000}} = \frac{576.24 * 10000}{10575.24} = 544.89$$

Therefore, it would be simpler to assess how HRD interventions have improved the organizational effectiveness of the PSU Banks of India if there were at least 545 samples available. A larger sample size can, however, help to lessen sampling error and response bias. The researcher conducted the survey by sending the questionnaire to 755 respondents and collecting 559 usable responses. This helped reduce sampling error and response bias linked to stratified simple random sampling.

Table 1: Reliability of the Study Variables

Variables	Variables	Cronbach a
Business strategy (BS)	8	.834
Union-Management relation (UM)	8	.901
HRD Policies (HRDP)	19	.914
HRD Facilitators (HRDF)	18	.811
HRD Measures (HRDM)	24	.891
Competent Employees (CE)	12	.883
Higher Productivity (HP)	5	.860
Customer Satisfaction (CS)	5	.910
Committed Human Resources (CHR)	5	.889
Profitability (PR)	4	.832

Source: Compiled by the author.

Table 3: Explained Total Variance by Extracted Factors

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% Variance	of Cumulative %	Total	% Variance	of Cumulative %	Total	% Variance	of Cumulative %
1	14.923	31.089	31.089	14.923	31.089	31.089	4.619	9.624	9.624
2	3.709	7.726	38.815	3.709	7.726	38.815	4.585	9.553	19.176
3	2.991	6.232	45.047	2.991	6.232	45.047	3.763	7.839	27.015
4	2.854	5.945	50.992	2.854	5.945	50.992	3.680	7.667	34.682
5	2.176	4.534	55.526	2.176	4.534	55.526	3.631	7.564	42.246
6	1.774	3.695	59.221	1.774	3.695	59.221	3.423	7.131	49.378
7	1.675	3.489	62.710	1.675	3.489	62.710	3.063	6.381	55.758
8	1.565	3.260	65.970	1.565	3.260	65.970	2.527	5.265	61.023
9	1.285	2.677	68.647	1.285	2.677	68.647	2.478	5.162	66.186
10	1.184	2.467	71.114	1.184	2.467	71.114	2.366	4.929	71.114

Out of the 108 attributes qualified as per Table 1, only 47 attributes qualified in factor analysis, which is contributing towards improving the statistical study. In order to evaluate the 133 components that account for all of the study's variables, an EFA using the principal component technique and varimax rotation was utilized. A number of EFAs were utilized so that the variables might have theoretically important dimensions. In the end, 47 features that did not cross-load on other components, had factor loadings greater than 0.6 and communalities higher than 0.5 were retained (Hair et al., 2014). The details of the KMO value and degrees of freedom are given in Table 2, which signifies the sampling adequacy.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.922
Approx. Chi-Square	18124.18
Bartlett's Test of Sphericity	Df
	1128
	Sig.

*** $p < .001$, Source: Compiled by the author.

The total variance explained by the extracted factors and the corresponding eigenvalues has been summarized in Table 3.

Extraction Method: Principal Component Analysis.

Source: Compiled by the author.

Measurement Model:

In the SEM procedure, the confirmatory factor analysis step is the first. The measurement model's indicators and their latent constructs are evaluated, and the noteworthy discrepancies between the various constructs are identified. The measuring model for the inquiry was represented by ten latent components and 47 indicators. The relationships between the latent constructs were all associated, and there was only one relationship between each indicator and each latent construct. Several model fit indicators were used to examine the measurement model's model fit. The indices are the root mean square error of approximation (RMSEA), the goodness of fit index (GFI), the Tucker-Lewis index (TLI), and the comparative fit index (CFI). Additionally, they incorporate parsimony fit metrics such as the parsimony comparative fit index (PCFI) and the adjusted goodness of fit index (AGFI). When a model's RMSEA is less than 0.08, its RM2/df is in the 5–1 range, its AGFI and PCFI values are higher than 0.5 and near the values of its GFI and CFI (Arbuckle, 2009; Mulaik et al., 1989), and its GFI, TLI, and CFI values are more than 0.9 (Hu & Bentler, 1999), it is said to have an adequate fit. Additionally, the desired sample size for a better model fit can be calculated according to Hoelter's statistics (Byrne, 2013). ($\chi^2[899]=1955.046$, $p.001$, $\chi^2/df=2.175$, $GFI=.859$, $RMSEA=.047$, $TLI=.921$, $CFI=.928$, $AGFI=.838$, $PCFI=.843$, $Hoelter = 259 (.05)$, $267 (.01)$ indicate that all fifteen latent components of the study model fit well. Some research (Zhang & Bartol, 2010) has accepted values slightly below the cutoff as an indication of a good model, despite the measurement model's GFI value being less than the 0.9 threshold.

The discriminant validity of a construct demonstrates how distinct it is from other constructs. It is determined by comparing the shared variances of the constructions with the square root of the AVE for that specific construct. The uniqueness of each construct was demonstrated by the fact that the square root of AVE for each construct was higher than the variance shared by all of the constructs.

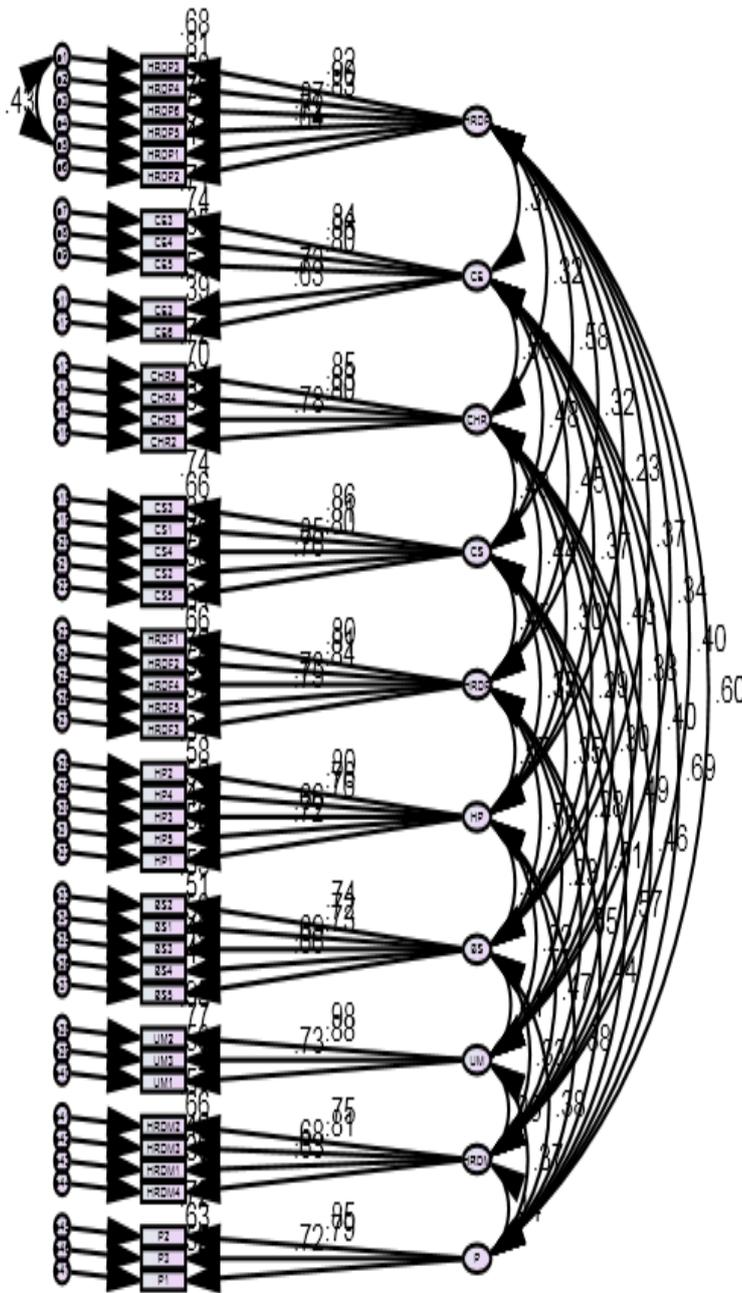


Figure 2: Measurement Model

Table 4: Discriminant Validity

	CR	AVE	MSV	MaxR(H)	HRDM	HRDP	CE	CHR	CS	HRDF	HP	BS	UM	PR
HRDM	0.811	0.521	0.426	0.827	0.722									
HRDP	0.914	0.643	0.356	0.948	0.401	0.802								
CE	0.883	0.605	0.472	0.965	0.400	0.369	0.778							
CHR	0.889	0.666	0.251	0.973	0.492	0.317	0.501	0.816						
CS	0.910	0.670	0.339	0.979	0.506	0.582	0.479	0.492	0.818					
HRDF	0.891	0.621	0.426	0.982	0.653	0.316	0.445	0.439	0.448	0.788				
HP	0.860	0.551	0.324	0.984	0.469	0.226	0.370	0.298	0.347	0.569	0.743			
BS	0.834	0.501	0.188	0.985	0.328	0.367	0.434	0.291	0.352	0.381	0.391	0.708		
UM	0.901	0.754	0.170	0.989	0.264	0.343	0.382	0.295	0.280	0.226	0.216	0.412	0.868	
PR	0.832	0.624	0.472	0.990	0.444	0.597	0.687	0.463	0.575	0.436	0.383	0.385	0.366	0.790

Source: Compiled by the author.

Table 4's diagonal elements (bold) in the correlation matrix of components, which is used to examine discriminant validity, display the square root of the AVE values. For discriminant validity to exist, the diagonal values must be greater than the off-diagonal values. As a result, the research variable measurement model showed sufficient convergent and discriminant validity to be ready for incorporation into the structural model.

Structural Model

The second stage of the SEM process involves creating a structural model to analyze the linkages indicated by the research model. In order to establish the primary hypothesis of the study, the structural model is frequently discussed in this study. The impact of CE variables on OE, HRDI, and OE is explored, as well as the link between HRDI and CE variables.

Relationship between HRDI and CE

The HRD intervention model shows the variables and how they affect competent employees (CE). Evaluation of all fit indices and their threshold values showed that the model fits the data well. ($\chi^2 [919] = 2289.876$, $p < .001$, $\chi^2/df = 2.492$, $GFI = .839$, $RMSEA = .054$, $TLI = .900$, $CFI = .907$, $AGFI = .818$, $PCFI = .842$, $Hoelter = 226 (.05)$, $233 (.01)$).

The effect of HRDI on CE was significant ($\beta = .24$, $p < .01$) according to the structural model's path coefficient analysis. H_{3a} was therefore encouraged. As a result, CE and HRDI had a positive and substantial correlation.

Relationship between CE and OE

The factors affecting organizational effectiveness (OE) and the competencies of employees (CE). Evaluation of all fit indices and their threshold values showed that the model fits the data well. ($\chi^2 [909] = 2015.253$, $p < .001$, $\chi^2/df = 2.217$, $GFI = .927$, $RMSEA = .045$, $TLI = .952$, $CFI = .937$, $AGFI = .920$, $PCFI = .813$, $Hoelter = 220 (.05)$, $251 (.01)$).

The influence of CE on OE was significant ($\beta = .31$, $p < .05$) according to the structural model's path coefficient analysis. H_{3b} was therefore supported. As predicted, CE significantly and favorably affected OE.

Relationship between HRDI and OE

Similarly, all fit indices and their threshold values showed that the model fits the data well for the variables of the HRDI and its impact on Organizational Effectiveness (OE). ($\chi^2 [902] = 2137.74$, $p < .001$, $\chi^2/df = 2.370$, $GFI = .963$, $RMSEA = .046$, $TLI = .930$, $CFI = .940$, $AGFI = .912$, $PCFI = .804$, $Hoelter = 217 (.05)$, $239 (.01)$).

The influence of HRDI on OE was significant ($\beta = .15$, $p < .01$) according to the structural model's path coefficient analysis. H_{3c} was therefore supported. As predicted, HRDI significantly and favorably affected OE. Table 5 summarizes the model fit indices as follows.

Table 5: Model Fit Indices of HRDI and CE, CE and OE & HRDI and OE.

Fit Index	Observed Values			Threshold Values
	HRDI and CE	CE and OE	HRDI and OE	
Absolute fit measures				
CMIN/DF	2.492	2.217	2.370	$\leq 2^{**}$; $\leq 3^*$; $\leq 5^*$
GFI	.839	.927	.963	$\geq .90^{**}$; $\geq .80^*$
RMSEA	.054	.045	.046	$\leq .08$
Incremental fit measures				
TLI	.900	.952	.930	$\geq .90^{**}$; $\geq .80^*$
CFI	.907	.937	.940	$\geq .90^{**}$; $\geq .80^*$
Parsimonious fit measures				
AGFI	.818	.920	.912	The higher, the better
PCFI	.842	.813	.804	The higher, the better
HOELTER	226 (.05), 233 (.01)	220 (.05), 251 (.01)	217 (.05), 239 (.01)	

Acceptability: ** Acceptable, *Marginal.

Findings of the Study

Meaningful insights on parameters such as business strategy, union-management interaction, HRD Interventions (HRD Policies, HRD Facilitators, and HRD Measures), competent employees and organizational effectiveness (higher profit, customer satisfaction, committed human resources and

profitability) were obtained through the examination of the data obtained from the bank. The study also examines the direct and indirect links between the variables being studied. The mean values of all the study parameters varied from 3.18 to 4.29, per the preliminary analysis. Thus, the bank employees were rated medium to high for their business strategy, union-management interaction, HRD Interventions (HRD Policies, HRD Facilitators, and HRD Measures), competent employees and organizational effectiveness (higher productivity, customer satisfaction, committed human resources and profitability). Further, the bank employees perceived a low degree of HRD policies and profitability. Thus, proper actions should be taken to formulate better HRD Policies and HR interventions to enhance the competency level of employees for achieving organizational effectiveness.

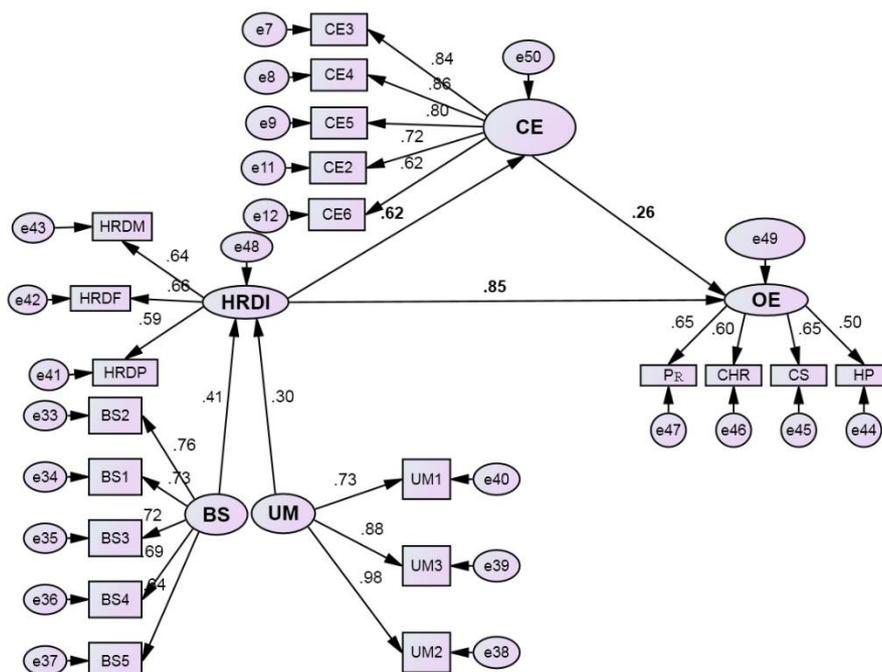


Figure 3: Structural Model

Table 6: Inferences drawn on Hypothesis Testing

		<i>Estimate</i>	<i>S.E.</i>	<i>Standardized β coefficients</i>	<i>Significance</i>	<i>Remarks</i>
H ₁	BS→ HRDI	0.410	0.051	0.322	***	Accepted
H ₂	UM→ HRDI	0.303	0.033	0.241	***	Accepted
H _{3a}	HRDP→ CE	0.237	0.032	0.165	***	Accepted
H _{3b}	HRDF→ CE	0.308	0.056	0.149	***	Accepted
H _{3c}	HRDM→ CE	0.154	0.056	0.201	0.001	Accepted
H ₃	HRDI → CE	0.620	0.082	0.297	***	Accepted
H _{4a}	CE→ HP	0.325	0.065	0.313	***	Accepted
H _{4b}	CE→ CS	0.212	0.055	0.351	***	Accepted
H _{4c}	CE→ CHR	0.117	0.039	0.291	0.022	Accepted
H _{4d}	CE→ PR	0.504	0.051	0.281	***	Accepted
H ₄	CE → OE	0.265	0.025	0.222	***	Accepted
H ₅	HRDI→OE	0.847	0.054	0.369	***	Accepted

*** p < .001, ** p < .01, * p < .1

Conclusion

The conclusions from the study's hypothesis testing are collected in Table 6. It was discovered that the business strategy significantly influences the HRD initiatives taken by the banks. Additionally, business strategy factors have a favorable and significant impact on HRDI. H₁ is therefore considered true. Therefore, there is a positive and significant relationship between the HRD interventions that were successful and the union-management interaction of bank employees. As a result, the hypothesis H₂ is recognized as true. H₃ is accepted since HRDI and employee competency of bank workers were significantly related. The sub-

hypotheses of H_3 i.e. HRD policies, facilitators and measures are significantly contributing towards enhancing employee competency. Hence, H_{3a} , H_{3b} , and H_{3c} are accepted. Additionally, competent employees are helpful in achieving higher productivity, customer satisfaction, committed human resources, and profitability, and competent employees help in improving the organizational effectiveness of banks. Therefore, hypotheses H_4 , H_{4a} , H_{4b} , H_{4c} and H_{4d} proposed for the study were valid. Finally, HRDI has a positive relationship and is contributing significantly towards achieving organizational effectiveness. Hence, H_5 is accepted.

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